

## **LOWER PAXTON TOWNSHIP** **2012 SUMMARY OF PROPOSED BUDGETS**

The General Fund is the primary operating fund for Lower Paxton Township. By law, this fund operates on a calendar year basis, and the budget for this fund is balanced. In 2012, proposed General Fund revenues and expenditures are balanced, including State Aid, at \$19,170,048. This budget is based upon an increase in the real estate tax rate from 0.9625 mills to 1.300 mills.

The State Aid Fund has been established in accordance with the PA Liquid Fuels Tax Act 655 of 1956 and exists as a sub-component of the General Fund. From this fund, the Township deposits and expends its annual allocation of state tax revenues on liquid fuels for maintenance and construction of local roads. In 2012, the State Aid Fund expects revenues and expenditures of \$999,955.

The General Fund balance on January 1, 2012 is expected to be \$3,340,934. This fund balance provides for cash flow needs, emergencies, and for significant capital projects undertaken through the General Improvement Fund. At this time the fund balance is less than the minimum threshold established by policy of the Board of Supervisors.

The General Improvement Fund is used by Lower Paxton Township for one-time capital projects. In 2012, General Improvement Fund expenditures for capital projects are budgeted at \$1,856,254.

The Fire Equipment Capital Plan covers nine pieces of primary apparatus possessed by the Township's three volunteer fire companies. The 2012 fiscal year will begin with a Fire Equipment Capital Fund balance of \$790,000.

The Length of Service Award Program (LOSAP) provides a defined benefit stipend to volunteer firefighters and/or fire police officers who meet certain criteria. The LOSAP Fund balance is expected to be \$302,000 at the beginning of the 2012 fiscal year.

The Friendship Center recreation facility operates as an "enterprise" entity, a quasi-business with revenues coming primarily from user charges to fund operations, debt service, and capital facilities. The Friendship Center 2012 Operating Fund expects revenues of \$2,109,350 against expenditures of \$2,122,343. The Center's Capital Fund is expected to possess a balance of \$305,500 on January 1, 2012, with \$46,000 budgeted for capital expenditures.

The Lower Paxton Township Authority (LPTA) also operates as an "enterprise" entity, providing sanitary sewer service throughout most of the Township. The LPTA 2012 Operating Fund expects revenues of \$13,306,762 against expenditures of \$13,205,191. LPTA expenditures for capital projects in 2012 are expected to be \$15,119,100. The LPTA is expected to possess cash-on-hand of \$45 million at the beginning of the 2012 fiscal year.

The Police Pension Fund possessed a balance of \$14,245,299 at the end of the 3<sup>rd</sup> quarter of the 2011, and the Non-Uniformed Employee Pension Fund possessed a balance of \$8,563,469. Both plans are minimally distressed, as defined by PA Act 44 of 2009, due to a ratio of assets to liabilities falling between 70% and 90%.

### **Historical Trends:**

Over the last five years (2006 to 2010) General Fund expenditures increased on average by 3.50% per year. Revenues increased on average by 1.50% per year (2006 to 2010). These figures have been calculated using actual operating revenue and expenses, and do not include bond proceeds or transfers for capital expenditures.

Differences between General Fund revenues and expenditures in individual years can be averaged into general trends. In 2004 through 2007, Lower Paxton Township had moderate growth in revenues at rates greater than regional rates of inflation. In 2008, there was a 3% decline in overall revenues, attributed to the severe economic recession and the resulting decline in building and housing sales, which actually began during the last quarter of 2007. In 2009, there was again a 3% decline in overall revenues due to the national recession. In 2010, there was a 1% decline in overall revenues as the economy started a slow process to recovery.

***The national economic crisis has had a significant adverse impact on Township finances. Revenues affected by development activities (Real Estate Transfer Tax and building permit line items) have declined to levels not seen in 20 years. Earned Income Tax revenues, the Township's single largest revenue source, fell by 13% in 2008-09 and 9% in 2009-10. These reductions in revenues forced the Township to adjust expenditures across the board.***

Prior to 2009, annual trends indicate a more rapid rate of growth in General Fund expenditures than the rate of growth in revenues, as the Township increased the level of services it provided in response to ongoing community development. Then in 2009, the Township was forced to significantly adjust its actual to budget expenditures to address the national recession. Operating departments have been prohibited from making non-essential expenditures and cost cutting measures are on-going throughout municipal operations. The 2010, 2011, and 2012 budgets were prepared carrying forward mid-year 2009 financial adjustments made by the Board of Supervisors and staff, thus enabling the Township to reduce overall operating expenditures.

### **Future Financial Conditions:**

As previously noted, General Fund expenditures, prior to the national recession, were increasing at annual rates greater than the annual growth of revenues. This trend produced two issues of future financial concern. First, on a pure

straight-line basis, the rate of municipal expenditures for operations was increasing faster than the Township's ability to generate sufficient revenue.

Second, over the last several years, there were no significant year-end additions to the General Fund balance, and in the last five years there were deficits, mostly due to ongoing capital projects, of \$99,000 in 2006, \$542,000 in 2007, \$2,470,000 in 2008, \$1,850,000 in 2009 and \$1,685,000 in 2010. The Township expects to end the 2011 fiscal year with a small General Fund surplus estimated to be \$77,020.

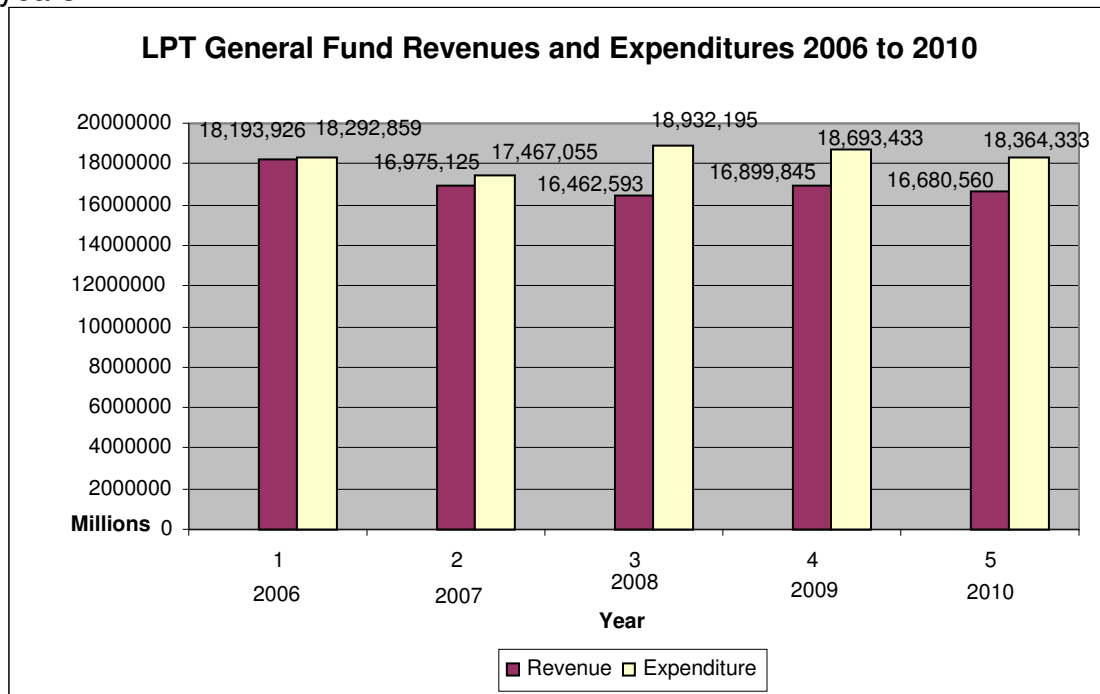
As disconcerting as the above referenced trends have been, the impact of the national recession compounded issues with revenue generation, forced reductions in levels of municipal operation, and made any projection of future financial conditions nearly impossible.

### **General Fund Balance:**

It is the policy of the Board of Supervisors that the Township maintain a General Fund balance equal to or greater than 25% of the budgeted General Fund expenditures designated for the current fiscal year.

At the end of the 2011 fiscal, the General Fund balance is estimated to be \$3,340,934. According to Board policy, 25% of the \$18,170,523 budgeted for expenditures in 2012 is \$4,542,631 and as such, an equivalent amount should be held in reserve for cash flow needs and emergency expenditures.

The chart below indicates year-end revenues and expenditures over the past five years.



**General Fund Debt:**

Lower Paxton Township will possess General Obligation Bonds (debt guaranteed by its taxing authority) totaling less than \$9.3 million at the beginning of the 2012 fiscal year. Annual debt service payments total approximately \$575,000, 3.2% of budgeted General Fund expenditures in 2012.

The Township's General Obligation Bond borrowing capacity is limited by the PA Local Government Unit Debt Act to 250% of its borrowing base. For PA local governments, the borrowing base is defined as the average of total General Fund revenues for the last three fiscal years. Using these parameters, Lower Paxton Township's borrowing capacity is approximately \$45 million.